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C O N F I D E N T I A L SECTION 01 OF 03 ANKARA 001286

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DOE FOR DAS HEGBURG

USTDA FOR DAN STEIN

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TAGS: [ENRG](#) [EPET](#) [PREL](#) [TU](#) [AJ](#) [RS](#) [IZ](#) [TX](#) [KZ](#)

SUBJECT: TURKEY - PUSHING ON THE SOUTHERN GAS CORRIDOR

REF: A. ANKARA 1207

[1](#)B. ANKARA 1121

Classified By: DCM NANCY MCEDOWNEY FOR REASONS 1.5 (B AND D)

[11.](#) (C) SUMMARY: Turkish officials express concern about the announced Russia-Turkmenistan-Kazakhstan gas agreement, worried that momentum is shifting away from the "southern gas corridor" and Turkey's transit role. Turkish officials want to redouble efforts to work with Turkmenistan, Iraq, Azerbaijan, and other sources. We have urged Turkey to move more quickly on gaining first Shah Deniz gas from Azerbaijan -- for trans-shipment to Greece, as well as to initiate serious discussions on the transit regime for future gas. The EU-Turkey energy conference in Istanbul on June 5 should be an opportunity for Turkey to harness EU interest and set out Turkey's requirements for a transit regime, but there remains the strong possibility that the EU will remain unable to fashion a single vision and voice.

[12.](#) (C) In a May 23 meeting with MFA Energy Coordinator Mithat Balkan, Ambassador pressed for concrete steps and coordination on promoting links with Azerbaijan, Turkmenistan, Iraq, EU, and others to advance the southern gas corridor in the face of Russian pressure to augment its control over Central Asian energy supplies. Noting that his recent conversation with Energy Minister Guler (Ref B) had been essentially the same as his conversation the year before, Ambassador said we must avoid repeating the same conversation (over and over) again. End Summary.

Russia-Turkmenistan-Kazakhstan Deal Shifts Momentum

[13.](#) (C) Ambassador characterized the three Presidents' May 12 agreement as:

-political rather than commercial;
-unclear as to what extent it was incremental;
-vague on the reference to a new pipeline; and
-a reaffirmation of existing agreements;

Balkan opined that in this region the political aspect is all-important and a necessary precursor to anything commercial. He noted that the GOT was concerned and had organized high level meetings to assess the situation. Ambassador described frequent, but quiet, visits by USG officials to Ashgabat, which had made head-way in convincing Turkmenistan to consider alternatives for new business, without threatening existing business with Russia. Noting that SCA DAS Steven Mann would travel again to Ashgabat June 3-5, Ambassador described efforts to explore short linkages from western offshore Turkmenistan Petronas blocks over a relatively short distance to connect to Azeri off-shore block pipelines. Ambassador noted that BP was "intrigued" by the concept. Balkan agreed that we cannot give up (because of the Russian deal) and in fact we must redouble our efforts to engage Turkmenistan on a Trans-Caspian Pipeline. He said that Turkey was committed to send a high level delegation to Ashgabat in June, but admitted that Ministerial level participation may not be possible given the run-up to national elections in Turkey. Balkan also reported that the Azeri Foreign Minister was to travel to Ashgabat.

First Critical Step is Azerbaijan - Another Invitation

¶4. (C) Ambassador stressed that it was critical to get Azeri gas into and through Turkey as a proof of concept for the "southern gas corridor." He highlighted the importance of starting symbolic gas flow by nominating volumes. Balkan questioned whether the current flow from the Shah Deniz wellhead was sufficient. Ambassador stressed the importance of Turkey and Azerbaijan restarting high-level discussions, noting that we had passed to Minister Guler information (from

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Embassy Baku) that SOCAR Head Abdullayev Rovnag had been identified as chief negotiator. Balkan responded that Turkey is ready, while the Azeris have not been, or have quibbled about who in the Azeri government has competence to talk. Ambassador noted that we understood that a new letter of invitation from Guler to Natiq Aliyev was on the Minister's desk for signature. Ambassador emphasized that the two countries should meet to discuss the transit regime for future gas flow. He noted Minister Guler's proposal that a 20-25% share of transit gas flow should be available to Turkey at a "net-back" approach (downstream price less transportation). Balkan -- and Energy U/S Sami Demirbilek in a separate May 23 meeting -- noted that pricing for the second year of the Shah Deniz I contract still had to be negotiated. Demirbilek said directly that Azerbaijan should request a meeting with Turkey, rather than the other way around.

Pushing EU - June 5 EU-Turkey Energy Gig

¶5. (C) Balkan and Demirbilek placed great weight on the need to get EU countries and the European Commission to be more actively promoting the "southern gas corridor". Balkan referred to the EU as a "loose link" in the chain, expressing frustration that the commission is not active, and he complained that the EU lacked any planned or common approach to the region. Ambassador commented that the UK Ambassador had voiced high hopes and low hopes for the June 5 EU-Turkey energy conference in Istanbul. He saw it as a last chance to educate and motivate both the commission and key EU members to advance gas transit from the Caspian/Central Asia to Europe via Turkey, but he admitted that it was not clear who speaks for the EU. (Note: Our request for the Embassy to observe the June 5 conference was denied by Brussels.)

¶6. (C) Noting that Austrian OMV remained focused on Iran as a potential source for Nabucco, Balkan asked if the USG could speak more to the Europeans on this and other issues.

Ambassador said that the USG policy on Iran was unchanged, and we have expressed that clearly and strongly in European capitals, including Vienna. Balkan hoped that the U.S. could help Turkey make the Europeans understand that Turkey needed a "good deal" on transit; i.e., something that the Minister of Energy can sell politically. He suggested that there was still lively discussion within the Ministry on the range of transit and hub options.

Next Step on Iraq Gas Trilateral?

¶7. (C) Ambassador pressed Balkan on building on the first Iraq Gas Trilateral meeting March 9 in Istanbul, proposing that the next meeting be scheduled on the margin of the Iraq Neighbors energy working group, presumably in Turkey. He also proposed that a MOU might be a useful outcome of the next meeting. Balkan agreed that the Iraq process should be pursued, noting that the likelihood of a Trans-Caspian pipeline had been reduced or delayed, thus increasing the importance of Iraq as a source. Demirbilek, however, expressed concern that Iraq was not clear on intent to export gas and quantities of gas reserves. However, he endorsed the long term process and accepted that the meeting could either be a stand-alone in Amman or on the margins of a Neighbors energy working group in Turkey, where appropriate Iraqi experts would presumably be in attendance.

¶8. (C) COMMENT: The Turkish "principles" for a transit arrangement (option to purchase up to a set amount at a net-back price) seems to be a good basis to start a transit discussion with Azerbaijan and other southern corridor partners. This is an important evolution in Turkish thinking that is not well understood beyond Turkey. The EU-Turkey conference, which includes companies, should be a mechanism for laying out these principles. At the same time, we need

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to get beyond the question of who takes the first step with Azerbaijan. We will keep up the pressure in Ankara.

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